

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGRE-00 CIAE-00 COME-00  
INR-07 LAB-04 NSAE-00 EPG-02 SP-02 STR-04 TRSE-00  
FRB-03 OMB-01 L-03 /041 W  
-----060318Z 078349 /65

P R 060208Z JUN 77

FM AMEMBASSY MANILA

TO USMISSION GENEVA PRIORITY

SECSTATE WASHDC 732

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 8654

GENEVA FOR PHELAN AND MINISTER MICHAEL B. SMITH

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: TEXTILES: GOP-USG TEXTILE CONSULTATIONS

REF: STATE 117101

1. SUMMARY: US-GOP TEXTILE CONSULTATIONS WILL BE HELD IN GENEVA STARTING JUNE 7. COMPOSITION OF GOP TEXTILE NEGOTIATING PANEL WAS REPORTED REF A. U.S. TEXTILE SPECIALISTS WILL NOTE THAT THERE ARE A NUMBER OF NEW PLAYERS ON GOP PANEL. ALTERED COMPOSITON OF PANEL REFLECTS EVOLUTION OF PHILIPPINE APPAREL INDUSTRY AND CONSEQUENT RESTRUCTURING OF GOP INTER-AGENCY GROUPS WHICH DEAL WITH TEXTILES. THIS CABLE DISCUSSES THESE CHANGES AND COMMENTS ON INDIVIDUALS ON PHILIPPINE PANEL WHO ARE NEW TO TEXTILE SCENE. END SUMMARY.

2. TEXTILE EXPORTS FROM THE PHILIPPINES TO THE U.S. ARE OVERWHELMINGLY MADE UP OF APPAREL. THUS, IT IS THE PHILIPPINE APPAREL INDUSTRY ORGANIZATIONS THAT INFLUENCE GOP TEXTILE EXPORT POLICY AND PARTICIPATE IN TEXTILE AGREEMENT NEGOTIATIONS. IN PRE-WAR PERIOD, THE APPAREL  
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INDUSTRY HAD TWO BRANCHES: THE GARMET MANUFACTUERS, WHO USED LOCAL RAW MATERIALS AND SOLD DOMESTICALLY, AND THE "EMBROIDERY INDUSTRY", WHICH IMPORTED CLOTH AND YARN FROM ABROAD ON CONSIGNMENT AND EXPORTED ALL OF ITS PRODUCTION (WHICH INCLUDED BUT WAS NOT LIMITED TO EMBROIDERY, A TERM POINTING TO THE HISTORICAL ORIGINS OF THE INDUSTRY). THE EMBROIDERY INDUSTRY PRODUCED

PRIMARILY INFANT'S APPAREL AND WAS FINANCED BY AND DIRECTED TOWARD THE U.S. MARKET. APPAREL MANUFACTURERS WERE REPRESENTED BY THE GARMET ASSOCIATION AND THE EMBROIDERY ASSOCIATION. THE EMBROIDERY BOARD, HEADED BY UNDER SECRETARY OF FINANCE, WAS RESPONSIBLE FOR FORMULATING AND IMPLEMENTING GOP POLICY ON TEXTILE EXPORTS, AND AN APPAREL FIRM HAD TO BE "REGISTERED" (OR LICENSED BY THE BOARD TO BRING IN GOODS ON CONSIGNMENT.

3. IN RECENT YEARS, INDUSTRY STRUCTURE HAS EVOLVED RAPIDLY, INFLUENCED IN PART BY CHANGES IN GOP INSTITUTIONS. FIRST, THE BOARD OF INVESTMENTS (BOI) WAS ORGANIZED TO PROVIDE INCENTIVES FOR NEW MANUFACTURING FACILITIES. A NUMBER OF "BOI REGISTERED" APPAREL PLANTS HAVE RESULTED. SECONDLY, AN EXPORT PROCESSING ZONE AUTHORITY (EPZA) WAS ORGANIZED TO PROVIDE FOR BONDED ENTRY OF RAW MATERIALS (AND FOR CERTAIN INCENTIVES). THIRDLY, THE HEAVILY PROTECTED DOMESTIC MARKET BEGAN TO BE SATURATED. FOURTH, PHILIPPINE APPAREL BECAME MORE COMPETITIVE ABROAD DUE TO A NUMBER OF FACTORS INCLUDING INCREASED COST OF LABOR IN OTHER EXPORTING COUNTRIES AND A MORE FAVORABLE EXCHANGE RATE.

4. TO DEAL WITH CHANGING POLICY AND CIRCUMSTANCES, THE GOP ORGANIZED THE TEXTILE EXPORT BOARD (TEBL, WHICH INCLUDES REPRESENTATIVES OF THE BOI, DEPT OF TRADE (DOT) AND THE DEPT. OF FOREIGN AFFAIRS (DFA). THE CONFIDENTIAL

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EMBROIDERY BOARD STILL EXISTS AND EXERCISES THE IMPORTANT FUNCTION OF DISTRIBUTING TEXTILE EXPORT QUOTAS, BUT NO NEW FIRMS HAVE BEEN "REGISTERED" WITH THE BOARD FOR THE PAST SIX OR SEVEN YEARS. THE GARMET ASSOCIATION NOW REPRESENTS BOTH EXPORTERS AND DOMESTIC MANUFACTURERS. ABOUT TWO YEARS AGO A CONFEDERATION OF TEXTILE EXPORTERS WAS ORGANIZED WHICH WAS SUPPOSED TO ACT AS AN UMBRELLA ORGANIZATION FOR THE THREE INDUSTRY ORGANIZATIONS. THE FIRST PRESIDENT WAS DONALD DEE. AT PRESENT, TONY CARAG HEADS THE ORGANIZATION. BOTH MEN WILL BE IN GENEVA.

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INFO OCT-01 EA-07 ISO-00 AGRE-00 CIAE-00 COME-00  
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C O N F I D E N T I A L SECTION 2 OF 2 MANILA 8654

GENEVA FOR PHELAN AND MINISTER MICHAEL B. SMITH

5. ON THE GOVERNMENT FRONT, THE TEC HAS BECOME THE SCENE OF A STRUGGLE BETWEEN TRADE, FOREIGN AFFAIRS AND FINANCE (PIO DE RODA) FOR THE POSITION OF HEAD OF DELEGATION DURING THE VARIOUS TEXTILE AGREEMENT TALKS. PIO DE RODA, WHO CHARIS BOTH THE EMBROIDERY BOARD AND THE TEB, HAS REPORTEDLY BEEN WILLING TO CEDE THE HONOR OF CHIEF NEGOTIATOR. HE HAS RECENTLY STEPPED DOWN AS HEAD OF CUSTOMS AND WANTS TO DEVOTE MORE TIME TO HIS JOB AS UNDER SECRETARY OF FINANCE. IN FACT, IN RECENT MONTHS, THE HEAD OF DELEGATION HAS AT TIMES BEEN A DEPT. OF TADE MAN, AT TIMES, SOMONE FROM THE DFA. A LETTER OF INSTRUCTION HAS REPRTEDELY BEEN SENT TO THE PALACE FOR MARCOS' SIGNATURE WHICH WILL RESOLVE THIS QUESTION IN FAVOR OF TRADE OR FOREIGN AFFAIRS. PIO DE RODA WILL, NEVERTHELESS, CONTINUE TO HEAD TALKS WITH THE U.S. FOR THE TIME BEING BECAUSE OF HIS PREVIOUS EXPERIENCE.

6. THE COMPOSITION AND RELATIVELY HIGH RANK OF THE GOP DELEGATION REFLECT THESE INTER-DEPARTMENTAL STRUGGLES AND MAY POINT TO THE TIME WHEN TRADE  
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AND FOREIGN AFFAIRS GAIN THE ASCENDANCY IN TEXTILE AFFAIRS. U.S. DEL MAY, THUS, WISH TO TAKE SOME PAINS TO CLARIFY U.S.S TEXTILE POLICY TO THE NEW-CTERS AND TO LAY GROUNDWORK FOR VIABLE WORKING RELATIONSHIP WHICH MAY HAVE TO ENDURE THE TUG-AND-HAUL OF TEXTILE NEGOTIATIONS FOR A NUMBER OF YEARS. SANCEZ AND FONACIER, IN PARTICULAR, WORK AT

LEVELS WHERE THEY CAN MAKE THEIR ATTITUDES TOWARD  
U.S.-GOP ECONOMIC RELATIONS FELT.

7. THE THREE NEW ADDITIONS TO THE GOP DELEGATION  
HAVE ON THING IN COMMON: NONE OF THE THREE HAS MUCH  
EXPERIENCE WITH INTERNATIONAL TEXTILE TRADE OR WITH  
THE "GROUND RULES" WHICH HAVE GROWN OUT OF THE  
JULTI-FIBER ARRANGEMENT AND ITS IMPLEMENTATION.  
CONSUL GENERAL TOMAS SYQUIA OF DFA: SYQUIA IS  
LISTED A CO-CHAIRMAN OF THE DELEGATION IN HIS ROLE  
AS REPRESENTATIVE OF DGA. HE IS, HOWEVER, OUT-  
RANKED BY BOTH SANCHEZ AND FONACIER. SYQUIA IS  
MILD-MANNERED AND PLEASANT AND HAS JUST RETURNED  
FROM A FIVE-YEAR ASSIGNMENT WITH THE PHILIPPINE  
EMBASSY IN BRUSSELS. HE ACTS AS ASSISTANT TO THE  
ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS IN THE DFA.  
EMBOFF DOES NOT RPT NOT BELIEVE SYQUIA HAS PERSONALITY,  
EXPERIENCE OR RANK TO MATCH ROLE AS CHO-CHAIRMAN.  
GOVERNOR CONRADO SANCHEZ, OF THE BOI: SANCHEZ IS  
BRIGHT AND WELL-EDUCATED, THE SON OF A FORMER CHIEF  
JUSTICE OF THE SUPREME COURT. HE IS SOMEWHAT  
EFFEMINATE WHICH GIVES HIM THE AIR OF A DILETTANTE,  
AND IT REMAINS TO BE SEEN WHETEHER OR NOT HE WILL BE  
WILLING TO DIG INTO THE DETAILS OF TEXTILE NEGOTI-  
IONS. SANCEZ GIVES THE IMPRESSION OF BEING VERY  
CONSCIOUS OF HIS PEROGATIVES. ASSISTANT SECRETARY  
DAKILA FONACIER OF TRADE: FONACIER'S YOUTHFUL LOOKS  
AND QUIET MANNER MASK A SHARP INTELLIGENCE. OF THE  
THREE NEW MEMBERS TO THE PANEL, FONACIER IS, PERHAPS,  
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THE MAN MOST LIKELY TO COPE WITH THE COMPLEX DETAILS  
OF US-GOP TEXTILE NEGOTIATIONS. AS ASST. SEC. FOR  
FOREIGN TRADE, HE PRESIDES OVER A NUMBER OF TRADE AND  
POLICY ISSUES AFFECTING US-GO P RELATIONS. HIS  
DEPARTMENT DOES NOT,HOWVER, HAVE AN OFFICE DEVOTED  
EXCLUSIVELY TO TEXTILES AND THE DOT ALONG WITH FOREIGN  
AFFAIRS AND THE BOI MUST DEPEND FOR ITS STATISTICS  
AND ANALYSIS ON THE TEC.  
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## Message Attributes

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